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China-U.S. Relations: Current Issues for the 108th Congress

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Summary

In the wake of the September 11, 2001 terrorist attacks against the United States, U.S. and People's Republic of China (PRC) foreign policy calculations appeared to change. The Administration of George W. Bush assumed office in January 2001 viewing China as a U.S. "strategic competitor." Administration officials faced an early test in April 2001 when a Chinese naval aviation jet collided with a U.S. Navy reconnaissance plane over the South China Sea. After September 11, though, U.S. officials came to see Beijing as a potentially helpful ally in the fight against global terrorism, while PRC officials saw the anti-terrorism campaign as a chance to improve relations with Washington and perhaps gain policy concessions on issues important to Beijing, such as on U.S. arms sales to Taiwan. U.S. anti-terror priorities led some to suggest that cooperation against terrorism could serve as a new strategic framework for Sino-U.S. relations.

Many, however, saw complexities and pitfalls on this road to cooperation. For one thing, the PRC's definitions of what constitutes terrorism are significantly more expansive than those of the United States. PRC definitions of dangerous or "terrorist" groups include Tibetans, Uighur Muslims, and Taiwanese who even peacefully express a wish for independence. PRC officials often lump these groups in with those who resort to violence. Since the United States from the outset maintained that the anti-terror campaign must not be used to persecute these groups, Sino-U.S. cooperation already faced early limits. Also, U.S. dominance of the anti-terrorism effort made Washington suddenly appear to be a more threatening competitor for influence in Central Asia, where Beijing had been making successful political inroads in recent years, and in Pakistan, with which Beijing has had traditionally close relations.

In addition, bilateral sensitivities remained over long-standing issues such as Taiwan's status, with U.S. officials increasingly supportive of Taiwan's security and its quest for international recognition, and PRC officials adamant about reunifying Taiwan under the "one China" policy. The PRC remained suspicious about the accidental NATO bombing of the Chinese Embassy in Belgrade in 1999, concerned about what they see as an "encircling" U.S. presence in Asia, and wary of U.S. technological advantages and global influence. And the PRC's early mishandling of a new health crisis, Severe Acute Respiratory Syndrome (SARS) that first appeared in southern China created a new test for bilateral relations as well as an enormous challenge for China's new government leaders, chosen in mid-March as the SARS crisis was well underway.

The purpose of this report is to provide background for and summarize current developments in U.S.-PRC relations, including current and pending congressional actions involving the PRC. This report will be updated regularly as new developments occur.

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Recent Developments

June 11, 2003 — The *Washington Post* cited Chinese sources as saying the PRC would reduce the size of the People's Liberation Army (PLA) over the next five years by 20%, or 500,000 troops.

June 10, 2003 — The *Asian Wall St. Journal* revealed that the investment units of Morgan Stanley and Citigroup Inc. had received Chinese approval to begin investing in China's stock and bond markets. They became only the third and fourth foreign investment institution given approval to trade domestic shares in China.

June 6, 2003 — A U.S. federal judge issued an injunction prohibiting a Chinese company, Huawei Technologies Ltd., from using software that a U.S. company, Cisco, claimed was stolen.

June 1, 2003 — Chinese engineers began blocking the flow of the Yangtze River and filling the reservoir of the Three Gorges Dam in Hubei Province. The controversial project is scheduled to be completed in 2009.

May 23, 2003 — The Federal Register noted that the Department of State had imposed a two-year ban on U.S. imports from the PRC's North China Industries Corporation (NORINCO), having determined it had engaged in missile technology proliferation. The ban was made under the terms of Executive Order #12938 of November 14, 1994.

May 16, 2003 — The U.S. Drug Enforcement Agency (DEA) announced a successful conclusion to the first coordinated U.S.-China sting operation against an international heroin-smuggling ring. Dubbed "Operation City Lights," the two-year effort involved agents from China, Hong Kong, and the United States.

Background and Overview

Introduction

For much of the past decade, a number of factors combined to assure that U.S. congressional interest in the People's Republic of China (PRC) increased year by year. As an institution, Congress in the early years after the Tiananmen Square crackdown often felt that it was neither consulted nor listened to by the Executive Branch on the appropriate direction for U.S. China policy. Throughout the 1990's,

without the overriding strategic imperative that the Soviet Union had once provided for comprehensive U.S.-China relations, individual Members of Congress began to push for their own more parochial concerns with respect to China policy, such as efforts on behalf of Taiwan, in favor of human rights, or against forced sterilization and abortion. In the later years of the Clinton Administration, when U.S. officials were pursuing a “strategic partnership” with China, some Members of Congress became increasingly concerned that the U.S. government was not thinking seriously enough about the PRC as a longer-term threat to U.S. interests, given the PRC’s missile build-up opposite Taiwan and Beijing’s increasingly strident nationalism. Congress’ legislative activity on issues involving China in these years included enactment of provisions to increasingly accommodate Taiwan’s interests, repeated and protracted efforts to further condition or even withdraw the PRC’s most-favored-nation (MFN) status, recurring hearings (and resulting legislation) targeting the PRC’s human rights violations, creation of two congressionally related Commissions to monitor PRC activities, and a host of requirements on the U.S. government to monitor, report on, and restrict certain PRC activities, among other measures.¹

Since 2001, however, Congress as a whole has become less vocal and less legislatively active on issues involving China. A key question for American policymakers and foreign policy observers is whether or not this brief trend indicates that the rocky U.S.-China relationship may have finally turned a corner and is now facing a period of stability and cooperation for the foreseeable future. This paper will discuss and analyze factors contributing to the current reduction of U.S.-China tensions and will discuss potential policy developments that could once again highlight underlying complications in the U.S.-China relationship. The paper will also discuss and analyze the policy implications of ongoing and new developments, both domestically and in the broader foreign policy environment, that could affect U.S.-China relations. Finally, this paper will discuss key legislation in the 108th Congress and will provide a running chronology of developments since January 2003.

This paper will be updated regularly as further developments occur. For a thorough discussion of U.S.-China relations during the 107th Congress (2001-2002), see CRS Report RL31729, *China-U.S. Relations in the 107th Congress: Policy Developments, 2001-2002*, dated January 23, 2003. For further information on specific issues in this report, see the CRS reports referenced in the footnotes.

Factors Contributing to Improved U.S.-China Relations

U.S. relations with the People’s Republic of China (PRC) have gained unusual stability since January 2001. The reasons for this cannot be attributed to any resolution of entrenched bilateral policy differences — such as those long held over human rights or on Taiwan’s status — for these differences still exist and are likely to plague the relationship for the foreseeable future. Rather, a number of other factors and policy trends in the past two years have combined to make U.S.-PRC

¹ In the United States, the term “most-favored-nation” (MFN) status has been replaced by the term “normal trading relations” (NTR) status.

relations arguably the smoothest they have been since the aftermath of the Tiananmen Square crackdown in 1989. These trends and factors include:

- a more assertive approach toward China by the current Bush Administration than that followed by previous U.S. Administrations
- dramatic changes in global and in national priorities brought about by the anti-terrorism and anti-Iraq campaigns
- new demands on the U.S. Congress' agenda that have currently taken precedence over ongoing concerns about the PRC
- the PRC's own preoccupation with its ongoing leadership transition and increasing domestic social and economic problems

Changed U.S. Policy. The George W. Bush Administration came to office in January 2001 promising a tougher approach toward the PRC than that of any of its predecessors. Seeking to distance themselves from the policies of "engagement" with China favored by American Presidents since 1979, Bush Administration officials promised to broaden the focus of American policy in Asia, concentrate more on Japan and other U.S. allies, de-emphasize the importance of Sino-U.S. relations in American foreign policy, and look more favorably on issues affecting Taiwan's status and security. Even while appearing less solicitous of Beijing's views, Administration officials have remained open to substantively and symbolically meaningful dialogue with China at the senior-most levels. President Bush, for example, met more often with his PRC counterpart during his first two years in office than other U.S. Presidents did in their entire Administrations. This twin approach continues to characterize official Bush Administration policy toward the PRC today.² Some observers believe that this new approach has helped reduce Beijing's leverage over the U.S. policy process, forcing onto the PRC the greater burden in seeking productive U.S.-China relations.

Anti-Terrorism and Changing Global Priorities. The September 11, 2001 terrorist attacks against the United States, the subsequent campaign to dis-arm Iraq, and renewed hostility from North Korea have changed the international priorities of the United States and much of the world. A number of U.S. international relationships have been affected accordingly, including relations with the PRC and with countries important to PRC interests, such as Pakistan. The United States, for instance, has now established cooperation with and a military presence in Central Asian countries, with whom the PRC had formed the Shanghai Cooperation Organization in the 1990's. U.S. officials quickly saw the war against terrorism as the nation's principle priority, and one in which the PRC, perhaps, could be helpful. U.S. officials, for instance, welcomed what support the PRC could give toward anti-terrorism initiatives, particularly in measures put before the United Nations Security Council, where the PRC is a permanent member and has veto power. But the White

² The Administration faced an early test of its policies on April 1, 2001, when a Chinese jet-fighter collided with a U.S. Navy EP-3 reconnaissance plane over the South China Sea, forcing the U.S. plane to make an emergency landing at a military base on China's Hainan island. Several CRS reports provide details of this crisis. See, for instance, CRS Report RL31729, *China-U.S. Relations in the 107th Congress: Policy Developments, 2001-2002*, by Kerry Dumbaugh.

House also has shown itself willing to take unilateral U.S. action and, early on signaled that only limited Sino-U.S. cooperation would be possible. Thus, it is not clear yet to what extent U.S. anti-terrorism goals may have affected the Administration's PRC policy other than to reinforce the lower priority it had already assigned to U.S.-China relations.

On the heels of the anti-terror campaign, the U.S. government's current preoccupation with disarming Iraq has led to greater pressure on the United Nations, in which the PRC has veto power as a permanent member of the Security Council. PRC cooperation, or at least acquiescence, in anti-Iraq initiatives thus has become another U.S. objective. The Bush Administration's commitments to disarming Iraq has also led to the beginning of apparent fractures in the North Atlantic Treaty Organization (NATO) alliance, whose EU member countries the PRC has assiduously courted in recent years. Finally, North Korea's renewal of its nuclear program has created a crisis on the Korean peninsula which Administration officials believe enhances the need for PRC cooperation on initiatives involving the North. These new tensions in and possible re-shuffling of international relationships have created a fluid and complex international atmosphere. Although the implications for future U.S.-China relations remain uncertain, some observers have suggested that the uncertainty itself has favored more stable U.S.-China relations by ensuring a degree of caution and non-provocation in how bilateral policies are crafted.

Constraints on PRC Policy. Some believe that yet another factor in smoother U.S.-China relations is the PRC's current preoccupation with its own domestic problems and agenda. Internal social stability in the PRC has become more problematic, including greater labor unrest, growing unemployment, and more assertive public disaffection with official corruption. Also, the PRC is now in the middle of a significant leadership transition.³ At its 16th Party Congress (November 8-14, 2002), the PRC's Communist Party selected a new Party General Secretary (Hu Jintao), named a new 24-member Politburo and a new nine-member Standing Committee, and made substantive changes to the Party Constitution. Further important changes in government and cabinet-level positions are occurring during the 10th meeting of the National People's Congress in March 2003.

Both the anti-terrorism campaign and the Iraq initiatives also appear to have affected the PRC's view of U.S.-China relations. In at least the early months of the campaign, PRC leaders seemed to see anti-terrorism initiatives as an opportunity for closer cooperation with the United States and a way to improve U.S.-China relations.⁴ But over time, Chinese leaders appeared increasingly wary at the degree to which the United States was enhancing its military presence in the region — in particular, the swiftness with which the United States was succeeding in winning

³ For more on the 16th Party Congress decisions, see CRS Report RL31661, *China's New Leadership Line-up: Implications for U.S. Policy*, by Kerry Dumbaugh.

⁴ In the initial days after the September 11 terrorist attacks, PRC President Jiang Zemin offered condolences, promised "unconditional support" in fighting terrorism, and, on September 25, sent a group of PRC counter-terrorism experts for consultations in Washington. In a U.N. Security Council meeting on September 12, the PRC voted in favor of both Resolution 1368, to combat terrorism, and Resolution 1441, on Iraqi compliance.

overflight rights and basing agreements from countries geographically and strategically important to the PRC, such as Pakistan and those in Central Asia. In addition, the PRC government has found the U.S. anti-terror campaign a convenience in cracking down on its own dissident Muslims in the Xinjiang-Uighur Autonomous Region.

New Demands on the U.S. Congress. For the reasons cited above and more, the U.S. congressional agenda in the last two years has shifted and changed in several ways. For one thing, the September 11 attacks themselves dramatically pre-empted a serious congressional debate that had been going on for a decade over whether the PRC represented the next serious threat to U.S. security. Members of Congress since the September 11 attacks have been pre-occupied instead with a host of initiatives relating to the war on terrorism, including reorganization of the U.S. Government to create a Department of Homeland Security, U.S. troop deployments and mobilization first in the Afghan campaign and then in preparation for a war against Iraq, and the potential implications of a nuclear North Korea, to name a few. These matters have left little room in the congressional agenda for unrelated policy issues, however important or deeply held. Also, with the disappearance of the annual rancorous congressional debate over renewing the PRC's normal trade relations (NTR) status, Congress now lacks a legislative vehicle for regularly re-examining the totality of U.S. policy toward China.⁵

Moreover, the more assertive White House approach toward the PRC from the outset effectively has seized the moral high ground, and therefore the initiative, in what previously had been a heated congressional policy debate over the direction of U.S. China policy. The Administration's unprecedented willingness to take dramatic steps to assure Taiwan's security and support Taiwan's interests has satisfied the sizeable segment in Congress that has long championed stronger U.S. relations with Taiwan. At the same time, the Administration has resumed regular U.S.-China summitry and cultivated a cooperative diplomatic and investment climate with China, satisfying the American business community and those Members of Congress most supportive of that community's interests. Finally, the Administration's more aggressive overall foreign policy and its willingness to redefine traditional American security concepts has appealed to more hawkish Members of Congress who increasingly have viewed China as a rising threat to U.S. regional and global interests. As long as these trends continue, China is likely to remain secondary to U.S. policy interests, and congressional activity is likely to be correspondingly muted.

Factors That Could Increase Bilateral Tensions

Despite the lower profile the U.S. policy process is now giving to issues involving the PRC, too many variables remain to be certain of whether this represents a longer term trend toward a new relationship or is simply the function of a series of temporary distractions in U.S.-China policy. A strong argument can be made that the PRC's rapidly growing economy, increasing international assertiveness, and ongoing

⁵ Some have suggested that regular annual reports from the two U.S. China Commissions and other entities could serve as catalysts for debate on the PRC.

military modernization will assure that at some point China will reemerge as an important focus of interest for U.S. policymakers. An examination of measures enacted during 2001-2002, for instance, reveals that despite other legislative preoccupations and declining legislative activity on the PRC, Members of the 107th Congress continued to follow matters involving Taiwan's security and international standing; Tibet; and U.S. national security interests vis-a-vis the PRC, even absent the overt tensions the relationship saw throughout the 1990s.⁶

Any number of circumstances and events could re-energize tensions in U.S.-China relations and once again alter the bilateral landscape. As has happened in the past, the PRC's own muted approach to the United States could change quickly into a more belligerent one — perhaps once the PRC's leadership transition is complete or as a tactic to create national unity and deflect rising public dissatisfaction with the government. There is always the prospect of renewed and heated U.S.-PRC confrontation over Taiwan's status. The dynamics of U.S.-China relations also could change if events led Beijing to conclude that the United States had lost significant economic, military, and/or political power in the world, leading Chinese leaders to seek to exploit any perceived U.S. weaknesses and other vulnerabilities for their own national advantage. Such events could include a protracted conflict or uncertain outcome in Iraq, a partial collapse or realignment in the NATO alliance, a demand by South Korea that U.S. troop strength be cut, an act of North Korean aggression, or a serious U.S. economic decline.

Despite the relative stability in current U.S.-China relations, major developments continue to occur daily on issues that traditionally have had an impact on the overall relationship. Monitoring and assessing these developments (and how they are handled by Washington and Beijing) could offer foreign policy observers important clues about trends in U.S.-China relations over the intermediate and longer term.

Key Current Issues in U.S.-China Relations

SARS (Severe Acute Respiratory Syndrome)

The outbreak in China of a new illness, now called SARS, represented a serious and immediate test for new PRC government officials named at the March 2003 meeting of the National People's Congress.⁷ During the first four months of 2003, public pressure at home and abroad forced the government's reaction to the SARS illness to move classically secretive and non-communicative to significantly more

⁶ The 107th Congress, for example, took action to seek observer status for Taiwan in the World Health Organization (WHO) (P.L. 107-10 and P.L. 107-158); to restrict international lending to projects in Tibet and to enhance U.S. contacts with and involvement in issues relating to Tibet (P.L. 107-228); and to strengthen U.S. monitoring of science and technology exchanges with the PRC (P.L. 107-314). For further details on legislation enacted by the 107th Congress, see CRS Report RL31729, *China-U.S. Relations in the 107th Congress: Policy Developments, 2001-2002*.

⁷ The new virus that causes SARS was identified only in April 2003.

open. This beginning of transformation in official PRC reaction to a national crisis shows that new PRC leaders are under significantly greater pressure, from the international community and from their own citizens, to be more transparent and responsive to the public than in the past. It remains to be seen whether these changes will become permanent features of the way the PRC government does business or are simply tactical responses to the current SARS crisis.

In November and December 2002, China's Guangdong Province began to see cases involving a mysterious and contagious flu-like virus that PRC medical officials referred to as "atypical pneumonia." Provincial officials took emergency measures and the PRC government sent medical teams to Guangdong to investigate the outbreak. Still, for months, official Chinese sources downplayed the seriousness and extent of the mysterious illness. The Guangdong Provincial Health Bureau made the first official PRC announcement about the new illness on February 11, 2003, reporting that 5 had died and more than 300 had become sick. On February 12, 2003, the official Xinhua News Agency announced that the mysterious illness had been "brought under control" and no new cases had been reported in China. This remained the official story from the Chinese government through mid-March 2003, even as the World Health Organization (WHO) issued a global alert on March 12, 2003, following new outbreaks of an "atypical pneumonia" in Vietnam and Hong Kong.

Official PRC reluctance to be forthcoming continued throughout March. On March 15, 2003, WHO issued a rare "emergency travel advisory," for the first time referring to the illness as SARS and saying that its further spread to Canada, Singapore, and Europe now made it a "global health threat." According to WHO officials, it was only at this point that the Chinese government began providing WHO with information about the February atypical pneumonia outbreak in Guangdong, although WHO reported that the PRC still declined to provide biological samples, test results, or even details about courses of treatment. On March 18, 2003, PRC officials admitted that the SARS outbreak was continuing in Guangdong, but had not expanded elsewhere in China. This was contradicted by reports from Chinese doctors that two people in Beijing had died from the disease earlier in the month.

With SARS cases continuing to multiply and expand to other countries, including the United States, the PRC in April 2003, began to react to growing criticism over their handling of the SARS crisis. WHO investigators were permitted to go to Guangdong on April 2. On April 4, the head of the PRC's Center for Disease Control issued a unprecedented public apology for the government's mis-handling of the health crisis. Greater impetus for fuller disclosure appeared to come from within China's medical community itself. On April 9, a prominent Beijing surgeon publicly disclosed that the government was seriously under-reporting cases of SARS in Beijing, and that the number was far more than the 22 cases the government indicated.⁸ WHO officials also bluntly told PRC officials on April 17 that the SARS figures Beijing was reporting were unreliable.

⁸ Jiang Yanyong, former chief of surgery for the #301 military hospital in Beijing and a Communist Party member, made the disclosure in an e-mail to a state-run television station. The *Wall St. Journal* reported the disclosure on April 9, 2003.

On April 18, China's new Premier, Wen Jiabao, threatened dire consequences for any government official that did not make full and timely disclosure about SARS cases. The real official turnaround in the crisis came on April 20, when PRC leaders fired two senior officials for covering up the extent of the crisis — the first in a series of such firings. PRC leaders also announced that a national week-long May holiday would be reduced to one day to deter travel. Officials also held a nationally televised press conference to announce that 339 cases of SARS had been confirmed and another 402 were suspected in Beijing alone, not 37 confirmed cases as previously reported.⁹ As of April 27, 2003, the number of confirmed cases in Beijing alone had passed 1,100, and SARS outbreaks had been reported in 26 of the PRC's 31 provinces. That same day, the PRC government ordered the emergency closure of movie theaters, discos, churches, and other public places in Beijing. Although daily PRC announcements showed that confirmed SARS cases were now increasing on a daily basis, WHO officials on April 29 criticized the government as continuing to be unforthcoming with further details about the Beijing cases.

The U.S. Government has issued several travel warnings encouraging Americans to defer non-essential travel to the PRC.¹⁰ In addition, the Department of State on April 1, 2003, authorized the departure of non-essential personnel and family members from the U.S. Consulate General in Guangdong and Hong Kong, and similarly on April 3, 2003 from the U.S. Embassy in Beijing and from U.S. Consulates General in Chengdu, Shenyang, and Shanghai.¹¹

Taiwan

Taiwan remains the most sensitive and complex issue in Sino-U.S. relations. Beijing maintains it has the option to use force should Taiwan declare independence from China, and Chinese officials repeatedly block Taiwan's efforts to gain greater international recognition. At the same time, officials in Taiwan are maneuvering for more international stature and for independent access to multilateral institutions. Since the 1970s, when the United States broke relations with Taiwan in order to normalize relations with Beijing, U.S. policy toward Taiwan has been shaped by the three U.S.-China communiques, the Taiwan Relations Act (P.L. 96-8), and the so-called "Six Assurances."¹²

⁹ The two officials were party secretary of the Ministry of Health, Zhang Wenkang, and deputy party secretary of Beijing, Meng Xuenong.

¹⁰ Relevant travel warnings are posted at [http://travel.state.gov/china_warning.html]. More complete details can be found at [<http://www.cdc.gov/>]

¹¹ The World Health Organization tracks daily cases of SARS worldwide on its website at [<http://www.who.int/csr/sarscountry/en/>].

¹² In addition, other U.S. statements sometimes have been interpreted as changes in nuance in U.S. policy. For example, during his summit visit to China in June 1998, President Clinton made a controversial statement that some interpreted as a change in U.S. policy, resulting in resolutions in the 105th Congress (H.Con.Res. 301 and S.Con.Res. 107) reaffirming U.S. policy toward Taiwan. For details on evolving U.S. policy toward Taiwan, see CRS Issue Brief IB98034, *Taiwan: Recent Developments and U.S. Policy Choices*, by Kerry Dumbaugh; and CRS Report RL30341, *China/Taiwan: Evolution of the "One China"* (continued...)

Current U.S. Policy and U.S. Arms Sales. To a notable extent, the George W. Bush Administration has eschewed the long-standing U.S. policy of “strategic ambiguity” on Taiwan in favor of policy clarity that has placed more emphasis on Taiwan’s interests and less on PRC concerns. On April 25, 2001, for instance, in an ABC television interview, President Bush responded to a question about the possible U.S. response if Taiwan were attacked by saying that the United States would do “whatever it took” to help Taiwan defend itself. Since the United States has no defense alliance with Taiwan and has never pledged use of American military forces in the island’s defense, the President’s answer caused considerable controversy over whether the United States had changed its policy toward Taiwan’s security or was moving away from its “one-China” statements. Although State Department and White House officials continue to maintain that there has been no change in U.S. policy toward Taiwan and that U.S. policy is consistent with U.S. commitments in the Taiwan Relations Act, subsequent statements and actions by Bush Administration officials have been judged to be more solicitous and supportive of Taiwan than those of previous U.S. Administrations.¹³ In part, this reflects Administration assessments that the potential for military conflict over Taiwan is high. In a report submitted to Congress late in 2001, for instance, the Pentagon identified military conflict with China over Taiwan as one of the “immediate contingencies” for which the United States should size its nuclear strike capabilities.¹⁴ In other aspects of its more supportive Taiwan policy, the Bush Administration has undertaken the following steps:

- Approved more robust arms sales to Taiwan, including Kidd-class destroyers, diesel submarines, AIM sidewinder air-to-air missiles, and P-3C Orion aircraft.¹⁵
- Enhanced military-to-military contacts, including meetings between higher-level officers; cooperation on command, control, and communications; and training assistance.¹⁶
- Approved transit visas for top Taiwan officials to come to the United States, including Taiwan’s President and Vice-President.

Taiwan and the World Health Organization (WHO). WHO’s global involvement in investigating and helping to combat the new SARS virus has focused new attention on the fact that Taiwan, where there also have been SARS cases, is not

¹² (...continued)

Policy, by Shirley Kan.

¹³ On February 16, 2003, for instance, Deputy Assistant Secretary of State for East Asian Affairs, Randall Schriver, told a Taiwan-U.S. defense industry conference in Texas that “Our policy [toward Taiwan] has been consistent for more than 20 years...It has not changed. It will not change.” Cited in English in *Asia Pulse*, Feb. 17, 2003.

¹⁴ Excerpt from the “Nuclear Posture Review,” submitted to Congress on December 31, 2001. For excerpts, see [<http://www.globalsecurity.org/wmd/library/policy/dod/npr.htm>].

¹⁵ See CRS Report RL30957, *Taiwan: Major U.S. Arms Sales Since 1990*, by Shirley Kan.

¹⁶ At a March 2002 meeting of the U.S.-Taiwan Business Council in Florida, Deputy Defense Secretary Paul Wolfowitz reportedly stated that helping Taiwan more successfully integrate its military forces was as important a U.S. priority as selling weapons.

a member of WHO.¹⁷ For a number of years, Taiwan has sought observer status in U.N.-affiliated organizations, primarily in WHO, as part of its effort to expand its international space and recognition. The PRC routinely has blocked Taiwan's bids on political grounds, arguing that since Taiwan is not a state, but a part of China, it cannot be separately admitted to U.N. entities, for which sovereign status is a pre-requisite for membership. According to the U.S. Centers for Disease Control and Prevention (CDC), a U.S. CDC team has been sent to Taiwan to investigate the SARS outbreak, and has been in touch with WHO officials.

Taiwan authorities have argued that it is inhumane for the international community to deny the people of Taiwan access to WHO's substantial medical data and assistance in the event of an outbreak of disease, as in the current SARS outbreak, or as in June 2002, when a Taiwan city suffered a major outbreak of dengue hemorrhagic fever. Taiwan authorities maintain that "observer status" in WHO would be an apolitical solution in Taiwan's case, since other non-sovereign entities, like the Holy See and the Palestine Liberation Organization, have been given such status in WHO. The U.S. Government is on record as supporting Taiwan's membership in organizations "where state-hood is not an issue."¹⁸ In the past, some Members of Congress have had problems with what they view as the out-dated nature of this U.S. support.

In 2001 and 2002, for the fifth and sixth years in a row, Taiwan again applied for WHO observer status.¹⁹ The 107th Congress sought to energize U.S. support for this effort by enacting P.L. 107-010, authorizing the Secretary of State to seek Taiwan's observer status in the WHO at the organization's annual meeting, known as the World Health Assembly, in May 2001, and again at the annual meeting in May 2002 (P.L. 107-158).²⁰ Neither attempt succeeded, since the PRC was able to prevent the issue from coming to a full vote in each case. Similar legislation (H.R. 441, which the House has already passed, and S. 243) is now pending before the 108th Congress.

Implications of Political Developments in Taiwan. In recent years, the political environment in Taiwan has been fluid, unpredictable, and intricately linked with issues involving Taiwan's international status and relationship with the PRC. In the last several years, unexpected and unprecedented victories in presidential and legislative elections by Taiwan's opposition Democratic Progressive Party (DPP)

¹⁷ Taiwan recorded its first SARS death on April 27, 2003. In response, the Taiwan government announced it would suspend issuing visas to residents of China, Hong Kong, Singapore, Canada for two weeks, and would quarantine returning Taiwan residents for 10 days.

¹⁸ A State Department spokesman, in response to a press question at the State Department press briefing of March 20, 2002.

¹⁹ Taiwan has been able to join some international organizations for which sovereign status is not a pre-requisite, such as the Asia-Pacific Economic Cooperation (APEC) forum and the International Olympic Committee (IOC).

²⁰ On March 14, 2002, the European Union also adopted a non-binding resolution calling on the WHO to accept observer status for Taiwan. Doc.:B5-0132/2002, B5-0138/2002, B5-0147/2002, B5-0150/2002.

nearly decimated the Nationalist Party (the KMT), for 50 years the dominant — and for much of that time, the only — political party in Taiwan. As a result, the balance of power in Taiwan since 2000 has teetered precipitously between contending political parties and views. On one side is President Chen Shui-bian's DPP and its ally, the much smaller Taiwan Solidarity Union (TSU), two pro-independence parties that Beijing finds highly objectionable. On the other side is a tenuous political coalition cobbled together from the remnants of the KMT — the remaining KMT and the People First Party (PFP), both of which at least theoretically support the principle of eventual reunification with the PRC. Despite the DPP's political victories in the presidential election of 2000 and in legislative elections in 2001, the loose KMT/PFP alliance still has been able to wield substantial influence over Taiwan's political agenda throughout 2002, including control over an effective majority voting bloc in the legislature.²¹

Political rivalries and uncertainties in Taiwan are likely to increase over the coming year in the lead-up to the next presidential election scheduled for early 2004. Reelection of President Chen would send a strong signal to the PRC that support for Taiwan independence is entrenched and perhaps growing. But early in 2003, the KMT and PFP announced that they had agreed to field a single presidential/vice-presidential ticket to run next year against President Chen, who many feel was able to win in 2000 with a plurality — not a majority — because his opposition was divided. Should the combined KMT/PFP ticket hang together for the 2004 elections (an uncertainty at this point), it could prove a significant and perhaps unbeatable challenge for President Chen and the DPP. A KMT/PFP victory in 2004 likely would mean that the Taiwan government would be more receptive to closer Taiwan-PRC economic, cultural, and social ties, perhaps with longer-term political implications. Either election outcome in 2004 will have its own implications for U.S. policy and for U.S.-China relations.

Taiwan-PRC Contacts. Official talks between China and Taiwan, always problematic, last occurred in October 1998, when Koo Chen-fu, Chairman of Taiwan's Straits Exchange Foundation (SEF) and Wang Daohan, president of China's Association for Relations Across the Taiwan Straits (ARATS), held meetings in Shanghai. But while official talks have remained stymied, unofficial cross-strait contacts have continued to grow. Even with the official restrictions that the government maintains on investing in and trading with mainland China, Taiwan businesses are increasingly invested across the strait, although the exact figures remain unclear. Taiwan-China trade has also increased dramatically over the past decade. According to one estimate, Taiwan's total bilateral trade with the PRC rose to \$39.7 billion in 2002.²²

Taiwan's increasing economic interconnectedness with the PRC has put special pressure on the DPP government to further accommodate the Taiwan business

²¹ For background and details, see CRS Report RS21093, *Taiwan's December 2001 Election Results*, by Kerry Dumbaugh.

²² See CRS Report RS20683, *Taiwan and the World Trade Organization*, by Wayne Morrison, p. 4; and CRS Report RL31749, *Foreign Direct Investment in China*, by Dick Nanto and Radha Sinha.

community by easing restrictions on direct travel and investment to the PRC. Early in January 2001, for instance, President Chen announced that he would establish direct links between China and Taiwan's outlying islands of Matsu and Quemoy — the so-called “mini-links” — a small but significant step in the direction of further contacts. Late in 2002, Taiwan's Mainland Affairs Council (MAC), a cabinet-level office to oversee Taiwan's relations with the PRC, completed a study to assess the technical features and costs of expanded cross-strait sea and air links. Taiwan politicians throughout much of 2002 debated and eventually approved a proposal to allow Taiwan charter flights to fly, for the first time, to and from the PRC by way of Hong Kong and Macau for the Chinese New Year. In addition, PRC leaders made their own overtures, calling on Taiwan to return to the negotiating table and holding out the possibility for postponing “certain political disputes” in order to resume talks.²³ But such accommodations are worrisome to the DPP's pro-independence political base in Taiwan, who believe that further economic ties to the mainland will erode Taiwan's autonomy and lead to a “hollowing out” of Taiwan's industrial base.²⁴ Thus, each decision that President Chen makes on Taiwan's economic links with the PRC represents an uneasy compromise between the concerns of his own political base and the requirements of improving Taiwan's international economic competitiveness.

Human Rights

Since 2001, the George W. Bush Administration has shifted away from the broad and generalized approach U.S. Administrations traditionally have followed on human rights in China. The current Administration approach instead appears to favor more selective, intense pressure on individual cases involving human rights and on rule of law. The PRC government periodically has succumbed to this U.S. pressure and released early from prison political dissidents, usually citing health reasons. Such releases included the December 2002 release of Xu Wenli, co-founder of the China Democracy Party, and the January 2002 release of Ngawang Choephel, a Tibetan scholar. Critics of China's human rights policies claim that such gestures are infrequent and overshadowed by other human rights troubles. The Congressional-Executive Commission on China (CECC), a body created by P.L. 106-286 and comprised of U.S. Government officials and Members of Congress, is developing a “Registry of Victims” on political prisoners in China. When completed, the registry will be available on the CECC website. [<http://www.cecc.gov/>]

Religious Freedom. Members of Congress and American policymakers remain particularly concerned about the extent to which China controls and restricts religious practices. The U.S. Department of State, in the China section of its annual *International Religious Freedom Report*, released October 7, 2002, said that China's record on religious freedom remained poor. In 1999, the PRC government outlawed the Falun Gong spiritual movement, maintaining that it presented the greatest danger

²³ Spokesman Zhang Mingqing, on November 28, 2002, quoted in CNN.com. Comments about postponing political disputes were made by PRC President Jiang Zemin during sessions at the 16th Party Congress in early November 2002.

²⁴ For instance, there are reportedly 300,000 Taiwan citizens now living and working in Shanghai.

to the nation that had ever existed in its 50-year history.²⁵ Since 2000, the PRC government has arrested Falun Gong leaders, imposed harsh prison sentences, outlawed religious sects and cults in China, and created a government “Office for Preventing and Handling Cults.” Some observers have expressed fear that the PRC’s anti-cult movement may come to include Christian churches and other more mainstream groups in the future.²⁶

Separatists. For years, the PRC government also has maintained a repressive crackdown against Tibetans and Muslims, particularly against Uighur separatists in the Xinjiang-Uighur Autonomous Region. After September 11, 2001, PRC officials sought to link their efforts against Uighur separatists with the global anti-terrorism campaign. On October 12, 2001, a PRC Foreign Ministry spokesman said, “We hope that our fight against the East Turkestan [Xinjiang] forces will become a part of the international effort against terrorism.” Although U.S. officials warned that the anti-terror campaign should not be used to persecute Uighur separatists or other minorities with political grievances against Beijing, some believe that the U.S. government made a concession to Beijing on August 26, 2002, when it announced that it was placing one small group, the East Turkestan Islamic Movement, on the U.S. list of terrorist groups.²⁷

Family Planning/Coercive Abortion. Bitter controversies in U.S. family planning assistance have surrounded the PRC’s population programs, which some claim include forced abortions and sterilizations. Direct U.S. funding for coercive family planning practices is prohibited in provisions of several U.S. laws, as is indirect U.S. support for coercive family planning. In addition, legislation in recent years has expanded these restrictions to include U.S. funding for international and multilateral family planning programs, such as the U.N. Population Fund (UNFPA), that have programs in China. In the FY2002 Foreign Operations Appropriations bill (P.L. 107-115), for instance, Congress provided for “not more than” \$34 million for UNFPA. The Bush Administration froze those funds in January 2002, asserting that coercion still existed in Chinese counties where UNFPA had programs. Despite a follow-up finding by a State Department assessment team that UNFPA was not supporting coercion in its family planning programs in China, on July 22, 2002, U.S. Secretary of State Colin Powell announced the \$34 million would remain withheld.²⁸ Because of this determination, UNFPA is receiving no U.S. funding for its family planning programs as of March 2003.

Labor Unrest. The wrenching and far-reaching economic reforms that the PRC continues to make has led to rising labor unrest, particularly in northern and interior cities. In 2002, laid-off and unemployed workers estimated to number in the tens of thousands demonstrated to protest job losses, insufficient severance pay, local

²⁵ According to an article in the November 6, 1999 *People’s Daily*.

²⁶ For further details, see CRS Report RS20333, *China and ‘Falun Gong’* by Thomas Lum.

²⁷ The 107th Congress considered a number of human rights resolutions relating to the PRC. For relevant bills, see the “Legislation” section of this report.

²⁸ For further details, see IB96026, *Population Assistance and U.S. Family Programs: Issues for Congress*, by Larry Nowels.

corruption, and local government decisions to shut-down, sell-off, or privatize unprofitable state-owned factories. Worker unrest is a particularly troubling issue for Beijing, a regime founded on communist-inspired notions of a workers' paradise. Increasing labor unrest also has placed greater pressure on the authority and credibility of the All-China Federation of Trade Unions (ACFTU), China's only legal labor organization.²⁹ Labor unrest and labor conditions in the PRC continue to prompt debates among Members of Congress over competing policy goals. Some Members argue that PRC workers are exploited under economic reforms and that the United States should seek to limit its economic and financial dealings with the PRC until Chinese workers gain full collective bargaining rights. Other Members argue that U.S. investments in the PRC have helped improve workers' lives and incomes and have contributed to greater public pressure for labor and political reforms.

Economic Issues

The PRC is now the fourth largest U.S. trading partner, with total U.S.-China trade in 2002 pegged at \$147 billion. Ongoing issues in U.S.-China economic relations include the substantial and growing U.S. trade deficit with China (\$102.3 billion in 2002), repeated PRC failures to protect U.S. intellectual property rights (IPR), and the PRC's continuing restrictive trade practices. As a member of the World Trade Organization (WTO), which the PRC formally joined on December 11, 2001, the PRC now is committed to making significant changes in its trade and tariff regimes by eliminating tariff and non-tariff barriers on many goods and services.

With the PRC as a new WTO member, Members of Congress have been especially interested in assuring that the PRC adheres to its WTO obligations. In legislation passed by the 106th Congress, the U.S. Trade Representative (USTR) was required to begin monitoring the PRC's compliance with its WTO obligations, and to issue an annual report to Congress offering that assessment. The first USTR report under this provision was submitted to Congress in December 2002. In it, USTR judged that the PRC has made significant progress in many areas but still has major problems, primarily in IPR protections and improving the transparency of its trade laws.³⁰

In recent years, there has also been increasing concern about China's banking systems. Some leading authorities on China's economy have calculated that non-performing loans, primarily to insolvent state enterprises, account for a staggering 22% of the total lending of Chinese banks. (By comparison, South Korea, which received a record \$60 billion international bailout to narrowly avert financial collapse during the Asian financial crisis in 1997, non-performing loans accounted for about

²⁹ The ACFTU is controlled by the Communist Party. For background and further details, see CRS Report RL31164, *China: Labor Conditions and Unrest*.

³⁰ For further details on China's economy, see CRS Reports RS20139, *China and the World Trade Organization*; CRS Issue Brief IB91121, *China-U.S. Trade Issues*; and CRS Issue Brief IB98014, *China's Economic Conditions*, all by Wayne Morrison.

6% of total bank loans.)³¹ In a further complication, the banking sector's shaky financial condition continues to make it more difficult for the PRC to make the investments in infrastructure, energy production, and environmental improvements to fuel the rate of economic growth China needs in order to keep pace with its demographic requirements.

National Security Issues

North Korea. On October 4, 2002, North Korea told visiting U.S. officials that it was conducting a clandestine uranium enrichment program to produce nuclear weapons, in technical violation of its pledges under the 1994 U.S.-North Korean Agreed Framework. The United States responded by suspending the energy assistance it had agreed to provide North Korea under the Agreed Framework. The resulting crisis has continued to escalate as North Korea has withdrawn from the Nuclear Non-Proliferation Treaty, restarted its moth-balled nuclear reactor at Yongbyon, and flight-tested a new long-range cruise missile.³² North Korea has demanded bilateral talks with the United States to resolve the crisis, while U.S. officials are seeking multilateral talks, including PRC involvement.

PRC officials have repeatedly emphasized that China supports a non-nuclear Korean peninsula. This support is thought to be genuine, since an unpredictable North Korea armed with nuclear weapons could have unpleasant consequences for Beijing — such as the creation of nuclear weapons programs in currently non-nuclear countries like Taiwan, Japan, and South Korea, or an accelerated U.S. commitment for a regional missile defense program, to name only two. But Beijing has stopped short of promising to put further pressure on North Korea, and in fact continues to prop up the North Korean regime with supplies of food and fuel and to advocate bilateral U.S.-North Korean dialogue.

The growing North Korea crisis poses dilemmas for PRC policymakers and could have potentially serious consequences for U.S.-China relations. As North Korea's military ally, the PRC could be drawn into any military conflict involving North Korea — meaning the possibility of U.S.-China military confrontation should U.S. officials decide to bomb the North Korean reactor at Yongbyon to prevent plutonium reprocessing. In addition, since the PRC is North Korea's principle trade partner, any decision by the international community to impose sweeping economic sanctions against North Korea would appear to require PRC support. Lack of that support would undermine any sanctions effort and also damage U.S.-China relations. By the same token, collapse of the fragile North Korean regime could have equally unhappy consequences for the PRC, leading to floods of North Korean refugees into

³¹ See CRS Report RL31363, *China's Banking Reforms: Background and Issues for Congress*, by Dick Nanto and Radha Sinha.

³² North Korea reportedly tested its new long-range cruise missile on February 24, 2003, and restarted the nuclear reactor at Yongbyon several days later. Kraleev, Nicholas, "Beijing rejects U.S. approach to Iraq, N. Korea; Powell raps human rights record," in *Washington Times*, February 25, 2003, p. A16; Gertz, Bill, "North Korea tested a cruise missile; U.S. revises view of Monday firing," *Washington Times*, February 27, 2003, p. A4. See also CRS Issue Brief IB98045, *Korea: U.S.-Korean Relations Issues for Congress*, by Larry Niksch.

China and to the probable advance of U.S. military forces from the South Korean side of the demilitarized zone to the PRC border.

Iraq Disarmament. As a permanent member of the U.N. Security Council, China is one of the countries that can veto U.N. resolutions relating to military action against Iraq. On November 8, 2002, China along with other Security Council members voted in favor of U.N. Resolution 1441, declaring that Iraq remains “in material breach” of its obligations to fully comply with disarmament resolutions. In 2003, however, Chinese leaders have sided more with France, Germany, and Russia in support of allowing additional time for U.N. inspectors to do their work in Iraq. Many observers believe that Beijing would abstain in any vote on a second U.N. resolution.

Weapons Proliferation. For many years, U.S. officials and Members of Congress have been concerned about the PRC’s track record of weapons sales, technology transfers, and nuclear energy assistance to certain countries in the Middle East and South Asia, particularly to Iran and Pakistan. While some U.S. officials have grown more confident that the PRC is changing its proliferation policies, Congressional and other critics charge that such confidence is misplaced.³³ They point out that for years, reputable sources have reported China to be selling ballistic missiles and technology for weapons of mass destruction (WMD) in the international market, primarily in the Middle East. Although these allegations have always created problems in Sino-U.S. relations, they have taken on new and potentially significant implications given entrenched suspicions about Iraq’s possession of WMD as well as recent disclosures that both Iran and North Korea are actively pursuing nuclear weapons programs. The PRC has had close relationships with all three countries in the past, including sales of military equipment that could threaten U.S. forces in the region and missiles that could enhance a nuclear weapons capability.³⁴

Military Contacts. Once one of the stronger linchpins of the relationship, U.S.-China military relations have never fully recovered after they were suspended following the 1989 Tiananmen Square crackdown. Nevertheless, both countries have cautiously resumed military contacts, although efforts to re-energize military ties since then have met with repeated setbacks. In June 2002, Peter Rodman, U.S. Assistant Secretary of Defense for International Security Affairs, held talks with senior Chinese diplomats and military officials in Beijing, including: Xiong Guangkai, China’s Deputy Chief of Staff; Chi Haotian, China’s Defense Minister;

³³ As reasons for such confidence, some point to the past decade, when the PRC has: 1992 — promised to abide by the Missile Technology Control Regime (MTCR) and acceded to the Nuclear Non-Proliferation Treaty (NPT); 1993 — signed the Chemical Weapons Convention (CWC); 1996 — signed the Comprehensive Test Ban Treaty, and; 1997 — joined the Zangger Committee of NPT exporters.

³⁴ Iran, for instance, has purchased from the PRC small numbers of SA-2 surface-to-air missiles, F-7 combat aircraft, fast-attack patrol boats, and C-802 anti-ship cruise missiles. Some Members of Congress have questioned whether Iran’s possession of C-802’s violates the Iran-Iraq Arms Non-Proliferation Act of 1992 (U.S.C. 1701), which requires sanctions on countries that sell destabilizing weapons to Iran or Iraq.

and Li Zhaoxing, Vice Foreign Minister.³⁵ In October 2002, U.S. Vice-Admiral Paul Gaffney, President of the U.S. National Defense University, visited with PRC Defense Minister Chi Haotian in Beijing. Gaffney was the most senior U.S. military officer to visit China since the EP-3 collision in April 2001.

Tibet

The U.S. government recognizes Tibet as part of China and has always done so, although some dispute the historical consistency of this U.S. position. Since normalization of relations with the PRC in 1979, both Republican and Democratic U.S. Administrations have sought to minimize areas of potential tension with Beijing on sensitive topics, such as on the question of Tibet's political status. But the Dalai Lama, Tibet's exiled spiritual leader, has long had strong supporters in the U.S. Congress who have continued to pressure the White House to protect Tibetan culture and give Tibet greater status in U.S. law. It was largely because of this congressional pressure that in 1997, U.S. officials created the position of Special Coordinator for Tibetan issues within the State Department. The current Special Coordinator for Tibetan issues is Paula Dobriansky, Under Secretary of State for Global Affairs, to date the highest-ranking U.S. official to hold that position.³⁶

Hong Kong

After the smooth transfer of Hong Kong's sovereignty from British to Chinese rule on July 1, 1997, and the apparent early success of the "high degree of autonomy" that PRC leaders had promised for the Hong Kong Special Administrative Region (SAR), issues involving Hong Kong faded as matters of concern to U.S. policymakers. In recent years, however, Hong Kong officials at times have been criticized as insufficiently vigilant in protecting Hong Kong's interests against encroachment, real or imagined, by Beijing. A series of unpopular Hong Kong government decisions in 2001-2002 contributed to increased public criticism and greater U.S. interest in developments in Hong Kong.

Renewed U.S. and international interest has focused particularly on the Hong Kong government's proposal in October 2002 to enact an "anti-sedition" law some time in 2003. The government has issued a proposal for an anti-sedition law (called the "National Security (Legislative Provisions) Bill") and has circulated it for public commentary.³⁷ The legislation is now pending before Hong Kong's legislature, the Legislative Council (LegCo). Hong Kong government officials point out that Article 23 of the SAR's constitution (the "Basic Law") requires the government to enact laws to prohibit acts of "treason, succession, sedition," or "theft of state secrets." Supporters of the proposed laws have defended them as consistent with and more

³⁵ For background and further details, see CRS Report 97-931, *China: Ballistic and Cruise Missiles*, by Shirley Kan.

³⁶ For background and details, see CRS Report RL30983, *Tibet, China, and the 107th Congress: Issues for U.S. Policy*.

³⁷ The full Chinese and English text of the proposals can be found at the following website: [<http://www.basiclaw23.gov.hk/english/download/s3200307077.pdf>]

liberal than similar laws in other common law jurisdictions. Critics of the proposal maintain that articles proposed by the government exceed the requirements laid out in Article 23. They fear that enactment of the proposed measures will make it easier for Beijing to pressure Hong Kong to crack down on politically innocent acts — such as the Falun Gong spiritual movement and the Roman Catholic Church, both banned in China but legal in Hong Kong. The “Basic Law” does not specify a timetable or deadline for enactment of “Article 23” laws.³⁸

Current U.S. policy toward Hong Kong is set out in the U.S.-Hong Kong Policy Act of 1992 (P.L. 102-383). In addition to requiring annual U.S. government reports on Hong Kong’s conditions through 2006, this Act allows the United States to treat Hong Kong differently from the way it treats the PRC on the condition that Hong Kong remains autonomous. Under the Act, the President has the power to halt agreements or take other steps if he determines that Beijing is interfering unduly in Hong Kong’s affairs.³⁹

U.S. Policy Trends

The current U.S. policy approach toward the PRC appears to have charted an uneasy middle territory between the three different camps into which the U.S. policy community had sorted itself over Sino-U.S. policy after the Tiananmen Square crackdown. Those camps are:

Engagement. The “engagement” approach toward the PRC, which dominated U.S. policy since the Nixon Administration, including in the George H. W. Bush and William Clinton Administrations. Underlying this approach is a belief that trends in China are moving inexorably in the “right” direction. That is, the PRC is becoming more economically interdependent with the international community and therefore will have a greater stake in pursuing stable international economic relationships. They contrast this behavior favorably with that of disruptive states such as Iraq or North Korea — those who are not part of the international system and who may support the kind of global terrorism that struck the United States on September 11, 2001. Some also believe that greater wealth in the PRC will push Chinese society in directions that will develop a materially better-off, more educated, and cosmopolitan populace that will, over time, press its government for greater political pluralism and democracy. Therefore, according to this view, U.S. policy should seek to work more closely with the PRC in order to encourage these positive long-term trends. Some proponents of the “engagement” approach fear that viewing the PRC

³⁸ Section 586, Foreign Operations Appropriations Act for FY2002, P.L. 107-115, extended the reporting requirement from 2000 to 2006.

³⁹ A specific intention of the Hong Kong Policy Act was to permit the U.S. government to treat Hong Kong differently from the way it treats the rest of China in U.S. law. Thus, the United States has an extradition treaty with Hong Kong but not with China; maintains a liberalized export control regime with Hong Kong but a restrictive one with China; and gives Hong Kong permanent most-favored-nation (MFN) trade status — or “normal trade relations” as it is now known — but gave that status to China separately upon its accession to the WTO.

as a “threat” is a self-fulfilling prophecy that could promote a number of potentially disastrous policy consequences for U.S. interests. These include a possible breakdown in PRC governance, a fragmentation of the country itself, or the creation of greater Chinese nationalism with a strong anti-American bias.

Caution. American proponents of what might be called a “cautious” policy toward the PRC stress that Beijing officials still view the world as a state-centered, competitive environment where power is respected and interdependence counts for little. This group sees PRC leaders as determined to use all means at their disposal to increase their nation’s wealth and power. They suggest that PRC leaders may be biding their time and conforming to many international norms as a strategy, until China builds its economic strength and can take more unilateral action. Once it succeeds with economic modernization, this argument holds, Beijing will be less likely to curb its narrow nationalistic or other ambitions because of international constraints or sensitivities. According to this approach, the United States should strengthen its regional alliances and maintain a robust military presence in Asia as a counterweight to the PRC.

Threat. A third and more confrontational American approach has been based on the premise that the PRC under its current form of government is inherently a threat to U.S. interests, and that the Chinese political system needs to change dramatically before the United States has any real hope of reaching a constructive relationship with the PRC. According to this approach, Beijing’s communist leaders are inherently incapable of long-term positive ties with the United States. Rather, Beijing seeks to erode U.S. power and arm U.S. enemies in the region. Despite the statements of support for the U.S. anti-terrorism campaign, according to this view, the PRC’s repeated violations of its non-proliferation commitments have actually contributed to strengthening and arming nations that harbor global terrorists. U.S. policy should focus on mechanisms to change the PRC from within while maintaining a vigilant posture to deal with disruptive PRC foreign policy actions in Asian and world affairs.

Major Legislation

P.L. 108-7 (H.J.Res. 2)

Consolidated Appropriations Resolution for FY2003. The law prohibits funds for export licenses for satellites of U.S. origin, including commercial satellites and component parts, unless the House and Senate Committees on Appropriations are notified at least 15 days in advance. The law as passed changes the name of the U.S.-China Security Review Commission to the U.S.-China Economic and Security Review Commission and provides the Commission with \$1 million for salaries and expenses; prohibits U.S. funds made available for the United Nations Population Fund (UNFPA) may be used in the PRC; and provides that “not less than” \$25 million be made available to support democracy, human rights, and rule of law programs in the PRC, Hong Kong, and Tibet. The bill was introduced on January 7, 2003, passed the House by voice vote on January 8, 2003, and passed the Senate, amended, on January 23, 2003 (69-29). A Conference was held on February 10, 11, and 13, 2003, and Conference Report 108-10 was filed on February 13. The House agreed to the Conference Report on February 13 (338-83), as did the Senate (76-20). The bill was signed by the President on February 20, 2003, and became P.L. 108-7.

H.Con.Res. 98 (Ramstad)

A resolution expressing the sense of Congress that the United States should negotiate a free trade agreement with Taiwan. Introduced March 18, 2003. Referred to House Ways and Means Committee's Trade Subcommittee on March 20, 2003.

H.R. 247 (Wolf)

Making appropriations for the Department of Commerce, State, Justice, and the Judiciary for FY2003. Title IV of the bill contains a provision prohibiting funds for export licenses for satellites of U.S. origin, including commercial satellites and component parts, unless the House and Senate Committees on Appropriations are notified at least 15 days in advance. The bill was introduced on January 8, 2003, and referred to the House Committee on Appropriations.

H.R. 441/S. 243 (Brown, S.)/(Allen)

On Taiwan's admission as an observer to the World Health Organization (WHO). The bill amends P.L. 107-10 to authorize the United States to endorse and push for Taiwan's admission as an observer to the WHO at the annual summit of the World Health Assembly in Geneva in May 2003. Introduced on January 29, 2003, and referred to the House International Relations Committee, which marked up the bill on March 5, 2003. On March 11, 2003, the bill was considered under suspension of the rules, passing by a vote of 414-0. On April 9, 2003, the Senate Committee on Foreign Relations favorably reported S. 243, which the Senate passed by unanimous consent on May 1, 2003. That bill was sent to the House International Relations Committee, which was discharged on May 14, 2003, on a motion by Rep. Rohrabacher. The House passed the measure on May 14, 2003, and the bill was presented to the President for signature on May 21, 2003. Prior to this, on May 18, 2003, the United States announced it would back Taiwan's bid for observer status at the WHO Geneva meeting.

H.R. 851 (Slaughter)

To assess the impact of the North American Free Trade Agreement (NAFTA) and the entry of the PRC into the World Trade Organization (WTO) on U.S. jobs, workers, and the environment. Introduced on February 13, 2003, and referred to the House Ways and Means Committee, Subcommittee on Trade.

Chronology

- 06/11/03** — The *Washington Post* cited Chinese sources as saying the PRC would reduce the size of the People's Liberation Army (PLA) over the next five years by 20%, or 500,000 troops.
- 06/10/03** — The *Asian Wall St. Journal* revealed that Morgan Stanley and Citigroup Inc. became the third and fourth investment institutions to win Chinese approval to begin investing in China's stock and bond markets.

- 06/06/03** — A U.S. federal judge issued an injunction prohibiting a Chinese company, Huawei Technologies Ltd., from using software that a U.S. company, Cisco, claimed was a copy of its own patented software.
- 06/01/03** — Chinese engineers began blocking the flow of the Yangtze River and filling the reservoir of the Three Gorges Dam in Hubei Province. The controversial project is scheduled to be completed in 2009.
- 05/23/03** — The Federal Register noted that the Department of State had imposed a two-year ban on U.S. imports from the PRC's North China Industries Corporation (NORINCO), having determined it had engaged in missile technology proliferation. The ban was made under the terms of Executive Order #12938 of November 14, 1994.
- 05/16/03** — The U.S. Drug Enforcement Agency (DEA) announced a successful conclusion to the first coordinated U.S.-China sting operation against an international heroin-smuggling ring. Dubbed "Operation City Lights," the two-year effort involved agents from China, Hong Kong, and the United States.
- 05/08/03** — A Department of State spokesman announced that the U.S. Agency for International Development (USAID) had provided the Chinese Red Cross Society in the PRC with \$500,000 in emergency U.S. aid to help combat SARS.
- 05/07/03** — The U.S. Congressional-Executive Commission on China (CECC) issued a report concluding that the spread of SARS in China had been facilitated because of deficiencies in China's legal system and state control of the press.
- 04/28/03** — WHO's representative in China, Henk Bekedam, said in Beijing that even "very basic information" about new SARS cases in the city was still not being made available to WHO investigators.
- 04/20/03** — The PRC government announced that the Mayor of Beijing, Meng Xuenong, and the Minister of Health, Zhang Wenkang, were being removed from their positions for failing to effectively combat the SARS epidemic. PRC health officials also admitted that they had mismanaged the crisis and that cases had been greatly under-reported.
- 04/16/03** — WHO Officials said that the Chinese Government still was not doing enough to combat the new SARS virus. Health officials believe that the new virus strain originated in China's Guangdong Province in November 2002. To date, over 1400 cases have appeared in China.
- 04/11/03** — The United States announced it would not sponsor a resolution condemning China's human rights record at the annual meeting of the U.N. Human Rights Commission in Geneva.

- 03/16/03** — At the conclusion of the annual session of the PRC's de-facto legislature, the National People's Congress (NPC), PRC president Jiang Zemin, limited to two terms by the PRC's constitution, stepped down and Hu Jintao, current Party Secretary, was named as his successor.
- 02/28/03** — PRC officials released Zhang Qi, a U.S.-based Chinese dissident detained in China for 8 months. Ms. Zhang had been arrested along with her fiancée, Wang Bingzhang, who was convicted in a PRC court on February 9, 2003, on charges of spying for Taiwan and planning terrorist acts.
- 12/24/02** — Under heavy U.S. pressure, the PRC government released prominent democracy activist Xu Wenli, who was jailed for four years for trying to establish the China Democracy Party. Mr. Xu, released ostensibly for health reasons, flew to the United States with his wife.
- 11/08/02** — The 16th Party Congress began, ultimately resulting in the selection of a new 24-member Politburo, a new 9-member Standing Committee, and a new Party Secretary, Hu Jintao, who replaced former Party Secretary Jiang Zemin.
- 08/26/02** — U.S. Deputy Secretary of State Armitage announced the United States was placing the East Turkestan Islamic Movement on a list of terrorist groups.
- 08/25/02** — Beijing published new missile-related export control regulations.
- 01/01/02** — China received permanent normal trade relations from the United States as specified in P.L. 106-246.
- 12/11/01** — The PRC formally joined the World Trade Organization.
- 09/11/01** — Terrorists hijacked four U.S. commercial airliners and crashed them into the World Trade Center, the Pentagon, and in rural Pennsylvania. Senior PRC officials expressed their sympathy, condolences, and qualified support.
- 07/13/01** — Beijing won the right to host the 2008 Olympic Games.
- 04/12/01** — China released 24 American EP-3 crew members held since April 1, 2001.
- 04/01/01** — A PRC F8 fighter collided with a U.S. Navy EP-3 reconnaissance plane over the South China Sea. The EP-3 made an emergency landing on Hainan island.

For Additional Reading

CRS Issue Briefs and Reports

CRS Issue Brief IB98034. *Taiwan: Recent Developments and U.S. Policy Choices.*

CRS Report RL31729. *China-U.S. Relations in the 107th Congress: Policy Developments, 2001-2002.*

CRS Report RL31661. *China's New Leadership Line-up: Implications for U.S. Policy.*

CRS Report RS21351. *Sino-U.S. Summit, October 2002.*

CRS Electronic Briefing Book, *Terrorism*.
[<http://www.congress.gov/brbk/html/ebter1.shtml>].

CRS Report RS21292. *Agriculture: U.S.-China Trade Issues.*

CRS Report RS20876. *Collision of U.S. and Chinese Aircraft: Selected Legal Considerations.*

CRS Report RS20139. *China and the World Trade Organization.*

CRS Report RL30983. *Tibet, China, and the 107th Congress.*

CRS Report RS20476. *China's Xinjiang-Uighur Autonomous Region: Current Developments and U.S. Interests.*

CRS Report RS20333. *China and 'Falun Gong.'*

CRS Report RL30341. *China/Taiwan: Evolution of the 'One-China' Policy — Key Statements from Washington, Beijing, and Taipei.*

CRS Report RL31164. *China: Labor Conditions and Unrest.*

Appendix I

Recent Visits by U.S. and PRC Officials

February 23-24, 2003 — Secretary of State Colin Powell met with PRC leaders in Beijing as part of a trip to China, Japan, and South Korea.⁴⁰

February 16-20, 2003 — U.S. Trade Representative Robert Zoellick visited China, including stops in Beijing, Chongqing, Shanghai, and Hong Kong.

December 16, 2002 — Lorne Craner, U.S. Assistant Secretary of State for Democracy, Human Rights, and Labor, arrived in China with a U.S. delegation for the China Human Rights Dialogue. On December 18, 2002, the group went on to the Xinjiang-Uighur Autonomous Region in China's far northwest.

October 25, 2002 — President Bush held a state visit with PRC President Jiang Zemin at the president's ranch in Crawford, Texas.

October 8 - 14, 2002 — U.S. Vice-Admiral Paul Gaffney, President of the U.S. National Defense University, led an 8-member team from the U.S. National Defense University for meetings in China. The group met with PRC Defense Minister Chi Haotian in Beijing, then visited Xi'an, Hangzhou, and Shanghai. Gaffney was the most senior U.S. military officer to visit China since the EP-3 incident in April 2001.

August 26, 2002 — Deputy Secretary of State Richard Armitage, in Beijing for a series of meetings, announced that the United States was placing the East Turkestan Islamic Movement, a group in China, on a U.S. terrorist list.

⁴⁰ In conjunction with Iraq-related meetings of the U.N. Security Council, Secretary Powell also held bilateral talks in New York in 2003 with PRC Foreign Minister Tang Jiaxuan on January 19, February 4, February 24, March 7, and March 14 of 2003.

Appendix II

Selected U.S. Government Reporting Requirements

International Religious Freedom Report, China (*annual report*)

Most recent date available: October 7, 2002

Agency: U.S. Department of State, Bureau of Democracy, Human Rights, and Labor

Legislative authority: P.L. 105-292, The International Religious Freedom Act (IRFA) of 1998, Section 102(b).

Full text: [<http://www.state.gov/g/drl/rls/irf/2002/13870.htm>]

U.S. Commission on International Religious Freedom (*annual report*)

Most recent date available: May 2003

Agency: U.S. Commission on International Religious Freedom (USCIRF)

Legislative authority: P.L. 105-292, of the International Religious Freedom Act (IRFA) of 1998, Section 203.

Full text: [<http://www.uscirf.gov/reports/02May03/finalReport.php3>]

Reports on Human Rights Practices, China (*annual report*)

Most recent date available: March 31, 2003

Agency: U.S. Department of State, Bureau of Democracy, Human Rights, and Labor
Legislative authority: The Foreign Assistance Act of 1961 (FAA), as amended, Sections 116(d) and 502(b); and the Trade Act of 1974, as amended, Section 504

Full text: [<http://www.state.gov/g/drl/rls/hrrpt/2002/18239.htm>]

Military Power of the People's Republic of China (*annual report*)

Most recent date available: July 12, 2002

Agency: U.S. Department of Defense

Legislative authority: P.L. 106-65, the National Defense Authorization Act for FY2000, Section 1202

Full text: [<http://www.defenselink.mil/news/Jul2002/d20020712china.pdf>]

Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions (*semi-annual report*)

Most recent date available: July through December 2001⁴¹

Agency: Director of Central Intelligence

Legislative authority: FY1997 Intelligence Authorization Act, Section 721

Full text: [http://www.cia.gov/cia/publications/bian/bian_jan_2003.htm]

International Narcotics Control Strategy Report, 2002 (*annual report*)

Most recent date available: March 2003

Agency: U.S. Department of State, Bureau for International Narcotics and Law Enforcement Matters

⁴¹ Note that text listed at this website is dated January 2003 but contains the report of July - December 2001 — according to the CIA, the most recent report available as of March 2003.

Legislative authority: Section 489 of the Foreign Assistance Act of 1961, as amended (the "FAA," 22 U.S.C. § 2291); sections 481(d)(2) and 484(c) of the FAA; and section 804 of the Narcotics Control Trade Act of 1974, as amended). Also provides the factual basis for designations in the President's report to Congress on major drug-transit or major illicit drug producing countries pursuant to P.L. 107-115, the Kenneth M. Ludden Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002, Section 591.

Full text: [<http://www.state.gov/g/inl/rls/nrcrpt/2002/html/17940.htm>]

Report to Congress on China's WTO Compliance (*annual report*)

Most recent date: December 11, 2002

Agency: United States Trade Representative

Legislative authority: P.L. 106-186, the U.S.-China Relations Act of 2000, authorizing extension of Permanent Normal Trade Relations to the PRC, section 421.

Full text:

[http://www.ustr.gov/regions/china-hk-mongolia-taiwan/2002-12-11-China_WTO_compliance_report.PDF]

Report Monitoring to Congress on Implementation of the 1979 U.S.-PRC Agreement on Cooperation in Science and Technology (*biannual report*)

Most recent date: Pending (due April 1, 2004)

Agency: U.S. Department of State, Office of Science and Technology Cooperation

Legislative Authority: P.L. 107-314, Bob Stump National Defense Authorization Act Section for FY2003, Section 1207.

Full text: Due April 1, 2004.

Report on Tibet Negotiations (*annual report*)

Most recent date: May 16, 2003

Agency: U.S. Department of State, Bureau of East Asian and Pacific Affairs

Legislative Authority: P.L. 107-228, Foreign Relations Authorization Act, 2003 Section 613.

Full text: [<http://www.state.gov/p/eap/rls/rpt/20699.htm>]